

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ISO-00 INT-08 COME-00 FEA-02 STR-08

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FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 9593

INFO USLO PEKING

UNCLAS HONG KONG 1735

E.O. 11652: N/A

TAGS: EIND ETRD CH US

SUBJECT: PRC CY 1973 SCRAP AND STEEL

REF: HK 9728

1. NCNA PEKING STATED FEBRUARY 1, 1974 THAT, ACCORDING TO INCOMPLETE STATISTICS, OVER 11 MILLION TONS OF FERROUS SCRAP WERE RECOVERED LAST YEAR. COMPARED WITH 1972, WHEN SOME 10 MILLION TONS WERE RECOVERED (NCNA PEKING DECEMBER 27, 1972), THIS IS AN INCREASE OF ABOUT 10 PER CENT.

2. THE PRC HAS GIVEN NO QUANTITATIVE FIGURE OF 1973 STEEL PRODUCTION BEYOND STATING THAT THE INCREASE IN STEEL OUTPUT OVER 1972 WAS "CONSIDERABLE" (NCNA PEKING DECEMBER 31, 1973). THE HONG KONG TA KUNG PAO FEBRUARY 9, 1974, CITED AN ESTIMATE MADE ON JANUARY 22, 1974 BY AN INTERNATIONAL IRON AND STEEL ORGANIZATION THAT CHINA'S 1973 OUTPUT WAS 24 MILLION TONS, WHILE THE JAPAN IRON AND STEEL FEDERATION ESTIMATED IT TO BE 26 MILLION TONS (METAL BULLETIN, JANUARY 24, 1974). IF THE PROPORTION OF SCRAP USED IN PRC STEEL REFINING PLANTS AVERAGES ABOUT 40 PER CENT AS WE ASSUMED IN REFTTEL, 11 MILLION TONS OF SCRAP WOULD SUPPORT PRODUCTION OF NEARLY 28 MILLIONS TONS, WHILE AN AVERAGE OF 45 PER CENT SCRAP WOULD SUPPORT ABOUT 25 MILLION TONS. IMPORTATION OF SCRAP,
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OF COURSE, PERMITS A HIGHER STEEL PRODUCTION LEVEL,

AND IMPORTS HAVE BEEN RISING STEADILY IN RECENT YEARS
(FROM NON-COMMUNIST SOURCES, ABOUT 140,000 TONS
IN 1970 TO 210,000 TONS IN 1972; 1973 FIGURES NOT
AVAILABLE).

3. WHATEVER FIGURE PROVES TO BE CORRECT FOR 1973 STEEL
PRODUCTION, IT IS LIKELY THAT STRESS WILL BE LAID ON
SCRAP AVAILABILITY TO MAINTAIN GROWTH OF THE STEEL IN-
DUSTRY, AND THAT DEMAND FOR IMPORTED SCRAP WILL CONTINUE
IN THE NEAR FUTURE AT LEAST. IF THE SEARCH FOR SCRAP IMPORTS
IS THWARTED BY WORLD MARKET SHORTAGES, AND BY U. S.
EXPORT CONTROLS, CHINA MAY HAVE THE OPTION OF REVERTING
TO GREATER RELIANCE ON PIG IRON (PRODUCTION OF WHICH
COULD PROBABLY BE SUFFICIENTLY EXPANDED FOR THIS PUR-
POSE) AND/OR USE OF ADDITIONAL QUANTITIES OF BETTER
ORE. (CHINA HAS CONTRACTED TO IMPORT FROM AUSTRALIA ONE
MILLION TONS OF ORE ANNUALLY FOR THREE YEARS.) THESE
OPTIONS, HOWEVER, WOULD APPEAR TO BE LESS ECONOMICAL
THAN USE OF SCRAP.

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